

KAI !GARIB MUNICIPALITY



ADJUSTMENT BUDGET REPORT MTREF 2013-2014

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Vote – One of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and to the responsible officials.

PART 1 – ANNUAL BUDGET

Section 1 – Mayor's Report

Introduction:

It is with great pleasure that I present the 2013/2014 Adjustment Budget to the Council for consideration.

The budget tabled does not meet the requirements yet, however we strive towards a budget that complies with the latest budget regulations as well as the requirements of the National Treasury. The municipality continues to refine the budgeting processes, for which I must thank the Chief Financial Officer and his staff for the tremendous effort.

The reason for the tabling of an adjustment budget is fully disclosed in the executive summary of the draft budget documentation. Unfortunately, I must report that the municipality is in a dire cash flow position and unless drastic measures, including full cooperation from the Council and the Management team, are being taken, the municipality's sustainability is in serious doubt.

Municipal Budget Circular for the 2012/13 MTREF (MFMA Circular No. 59) stated that municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts. Municipalities were also requested to pay particular attention to managing all revenue and cash streams effectively and carefully evaluate all spending decisions.

During the review of the financial status of the municipality undertaken in the drafting of the mid-year report, it became clear that further attention would have to be paid to managing the cash streams of the municipality more effectively and that all spending decisions will have to undergo even stricter evaluations to ensure that funds are spent only on necessities and that the spending is economic, efficient and effective.

Legal requirements:

The Local Government Municipal Finance Management Act, 2003, section 28, and the Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 April 2009 requires that the Mayor's report must contain the following information:

The mayor's report accompanying an adjustment budget must provide:

- (a) A summary of the reasons for the adjustment budget having regard to the material variances highlighted in the latest monthly budget statement including at least the following where applicable:*
 - (i) New allocations of cash backed accumulated funds*
 - (ii) Multi-year funds shifting in relation to the capital programme*
 - (iii) Unforeseen and unavoidable expenditure*

(iv) Allocations and grant adjustments:

*A recommendation that the municipal council approves the adjustments budget – see ‘**Recommendations**’*

(b) A recommendation that the municipal council approves the revision to the service delivery targets and performance indicators in the service delivery and implementation plan, if applicable – the adjusted SDBIP will be submitted for approval in line with the legislative requirements

(c) Any other information considered relevant by the mayor

Recommendations

It is recommended:

- 1) that the Council approves the Adjustments Budget for the MTREF 2013/2014
- 2) That the Directors put control measures in place to prevent any over-expenditure on the Operational and Capital Budget
- 3) That the Service Delivery Budget and Implementation Plan (SDBIP) be adjusted accordingly and approved in line with the legislative requirements

Section 2 - Budget Related Resolutions

ADJUSTMENT BUDGET 2011/2012

The resolution tabled at Council for consideration with approval of the adjustments budget is:

RECOMMENDATION:

- a) That the Adjustments Budget of KAI !GARIB Municipality for the MTREF 2013/2014 as set out in the summary be approved:
 - (i) Total Revenue R194,338,943
 - (ii) Total Expenditure R194,338,943
 - (iii) Total Capital budget R 21,136,415
- b) That it will be noted that there are no changes to any budget related policies.
- c) That the Directors put control measures in place to prevent any over-expenditure on the Operational and Capital Budget.
- d) That the Service Delivery Budget and Implementation Plan (SDBIP) be adjusted accordingly and be approved in line with the legislative requirements.
- e) That the required B Schedules be prepared by the service provider SEBATA and tabled to council as soon as available.

Section 3 – Executive Summary

Introduction

The budget tabled is not compiled within the formats prescribed in the new Budget Regulations. An item list with a summary is tabled. Due to time and resources constraints the required B schedules that must accompany the budget will be prepared by the service provider SEBATA and then tabled before Council.

Effect of the adjustment budget

As clearly depicted in the budget presented to Council, the municipality have adjusted the “book surplus” (previously at R 19.705 million in the 2013/2014 Annual budget) towards a zero balanced Adjustment budget.

The main adjustments proposed in this adjustment budget are:

Operating Budget

- 1) An increase in total revenue amounting to R 21.966 million. This increase is mainly as a result of the following –

The increase in income comprises of

- (i) The correction of the traffic agency fees line items. Separate income and expenditure line items were created. In the annual budget the expenditure was set off against the income.
- (ii) Recognising of the Housing “Top Structures” in the operational budget.
- (iii) Recognising of the MIG allocation in the operational budget.
- (iv) Recognising of the donation for “Sport for Change” facilities.
- (v) Correction of the purchase discount line item.

- 2) An increase in operating expenditure amounting to R 41.672 million are proposed and consisting of:

- a. An increase in employment cost of R9.914 million. Only warm bodies are provided for except for the four advertised vacancies, namely Internal Audit, SCM Accountant, Occupational Health and Safety and the Risk official.
- b. Bad debt provision of R14.6 million. No provision was made in the annual budget for bad debt. This contributed to the fact that the budget was not cash funded and also contributed indirectly to our current dire cash flow situation.
- c. Depreciation of R8.5 million. No depreciation was provided.
- d. Bulk purchases increase with R4.190 million.

- e. Contracted services of which security services is the main contributor R3.8 million.
- f. Conditional grants and subsidies increased with R3.174 million to provide for the expenditure of the Housing “Top Structures”.
- g. General expenses increased with R8.6 million. The correction of the line item for the traffic agency fees expenditure contributed R5.8 million.
- h. It is unavoidable that some of the expenses had to decrease. In this case repair and maintenance decreased with R4 million.

Capital Budget

The municipality had to decrease planned capital expenditure from R35,6 million to R 21,1 million. The main contributor of this decrease is the capital funded out of income together with leases of new vehicles which will not realise due to the current situation.

Internally generated cash funds of the municipality are depleted and therefore the municipality is forced to reduce the capital spending in this regard.

The capital expenditure that remains on the budget relates to expenditure that cannot be funded by grants where the expenditure has already been incurred or committed.

Funding	Budget Year 2013/14	Adjustment Budget 2013/14
mig	19 541 500	19 951 500
income	9 112 000	884 915
hp	7 000 000	300 000
TOTAL	35 653 500	21 136 415

Section 4 - Operating Budget Summary

DESCRIPTION	Budget	Year to Date (31 JAN 2014)	Adjustment Budget	DIFFERENCE
REVENUE				
PROPERTY RATES				
PROPERTY RATES	-36 798 876	-12 656 000	-36 798 876	-
LESS: REVENUE FORGONE	23 111 701	-	23 111 701	-
PROPERTY RATES: PENALTIES & COLLECTION CO	-2 583 301	-1 834 000	-1 700 000	883 301
SUB TOTAL: PROPERTY RATES	-16 270 476	-14 490 000	-15 387 175	883 301
SERVICE CHARGES	-81 794 022	-42 671 000	-83 222 179	-1 428 157
ELECTRICITY	-59 293 140	-29 283 000	-59 151 280	141 860
WATER	-12 489 054	-6 575 000	-12 489 054	-
SEWERAGE	-5 225 916	-4 046 000	-6 785 916	-1 560 000
REFUSE	-4 775 671	-2 750 000	-4 775 929	-258
OTHER	-10 241	-17 000	-20 000	-9 759
RENTAL OF FACILITIES & EQUIPMENT	-264 582	-144 000	-196 327	68 255
INTEREST EARNED: EXTERNAL INVESTMENTS	-187 494	-9 000	-15 000	172 494
INTEREST EARNED: OUTSTANDING DEBTORS	-8 404 310	-5 080 000	-8 000 000	404 310
DIVIDENDS RECEIVED	-	-	-	-
ROYALTIES RECEIVED	-	-	-	-
FINES	-140 861	-49 000	-56 000	84 861
LICENCES AND PERMITS	-484 687	-290 000	-476 000	8 687
INCOME FOR AGENCY SERVICES	-2 345 741	-901 000	-6 481 820	-4 136 079
GOV GRANTS & SUBSIDIES: UNCONDITIONAL	-49 062 000	-60 744 000	-52 236 993	-3 174 993
PUBLIC CONTRIBUTIONS & DONATIONS	-	-	-3 000 000	-3 000 000
GOV GRANTS & SUBSIDIES: CONDITIONAL	-4 788 500	-	-24 740 000	-19 951 500
OTHER INCOME	-8 629 831	1 557 000	-516 850	8 112 981
OTHER GAINS ON CONTINUED OPERATIONS	-	-	-10 600	-10 600
GAINS ON DISPOSAL OF ASSETS	-	-	-	-
PROFIT ON SALE OF INVESTMENT PROPERTY/LAN	-	-	-	-
TOTAL REVENUE	-172 372 503	-122 821 000	-194 338 943	-21 966 440
EXPENDITURE				
EMPLOYEE RELATED COSTS				
REMUNERATION	46 411 250	36 365 000	55 794 610	9 383 359
SOCIAL CONTRIBUTIONS	7 115 546	-	7 646 275	530 730
SUB TOTAL: EMPLOYEE RELATED COST	53 526 796	36 365 000	63 440 885	9 914 089
REMUNERATION OF COUNCILLORS	4 917 321	2 685 000	5 602 000	684 679
IMPAIRMENT LOSSES	5 918 930	-	20 580 000	14 661 070
COLLECTION COSTS	-	-	-	-
DEPRECIATION	711 452	-	9 255 107	8 543 655
REPAIRS AND MAINTENANCE	8 663 386	-	4 581 000	-4 082 386
INTEREST PAID	2 899 613	654 000	3 241 000	341 387
BULK PURCHASES	37 309 808	23 839 000	41 500 000	4 190 192
CONTRACTED SERVICES	8 912 166	7 709 000	12 741 600	3 829 434
GRANTS AND SUBSIDIES PAID: OPERATIONAL	100 000	8 760 000	50 000	-50 000
FREE BASIC SERVICES	8 136 544	-	-	-8 136 544
GRANTS AND SUBSIDIES PAID: CONDITIONAL	4 170 000	-	7 344 993	3 174 993
GENERAL EXPENSES	17 400 663	13 904 000	26 002 358	8 601 695
OTHER LOSSES ON CONTINUED OPERATIONS	-	-	-	-
LOSS ON DISPOSAL OF ASSETS	-	-	-	-
SUB TOTAL: EXPENDITURE	152 666 679	93 916 000	194 338 943	41 672 264
INTERDEPARTMENTAL TRANSFERS	-	-	-	-
INTERDEPARTMENTAL TRANSFERS	-	-	-	-
TOTAL EXPENDITURE	152 666 679	93 916 000	194 338 943	41 672 264
OPERATIONAL SURPLUS/DEFICIT	-19 705 824	-28 905 000	-0	
APPROPRIATIONS				
CONTRIBUTIONS TO FUNDS & RESERVES	-	-	-	-
SURPLUS/DEFICIT AFTER APPROPRIATIONS	-19 705 824	-28 905 000	-0	

Section 5 – Capital Budget Item List

Vote Number	Description	Department	New Asset / Renewal Assets	Funding	Budget Year 2013/14	Adjustment Budget 2013/14
9729/4024/0000	Vehicles	corporate services	R	hp	500 000	300 000
	Buildings	corporate services	R	income		300 000
9703/4024/0000	Vehicles	council general	R	hp	500 000	
9767/4024/0000	Vehicles	Technical services	R	hp	600 000	
9713/4024/0000	Vehicles	financial services	R	hp	600 000	
9777/4024/0000	Vehicles	property, planning	R	hp	300 000	
9765/4024/0000	Vehicles	Technical services	R	hp	1 200 000	
9773/4024/0000	Vehicles	Technical services	R	hp	1 700 000	
9773/4024/0000	Vehicles	Technical services	R	hp	1 200 000	
9769/4024/0000	Vehicles	Technical services	R	hp	400 000	
9727/4122/0000	Computer Equipment	corporate services	R	income	100 000	150 000
9729/4021/0000	Office Furniture and Equipment	corporate services	R	income	30 000	200 000
9703/4021/0000	Office Furniture and Equipment	council general	R	income	10 000	1 500
9703/4122/0000	Computer Equipment	council general	R	income	10 000	5 500
9701/4021/0000	Office Furniture and Equipment	municipal management	R	income	30 000	60 000
9701/4122/0000	Computer Equipment	municipal management	R	income	30 000	1 605
9745/4444/0000	Upgrade Test Station: Kakamas	public Safety	R	income	400 000	85 000
9767/4021/0000	Office Furniture and Equipment	Technical services	R	income	30 000	50 000
9767/4122/0000	Computer Equipment	Technical services	R	income	20 000	
no vote yet	Installation of Prepaid Electrical Meters:	Technical services	N	income		
9767/4621/0000	Plant and Equipment	Technical services	N	income	1 200 000	22 000
9713/4021/0000	Office Furniture and Equipment	financial services	R	income	30 000	
9713/4122/0000	Computer Equipment	financial services	R	income	10 000	6 700
9713/4141/0000	Valuation Roll	financial services		income	2 500 000	
9700/4461/0000	7de Laan EIA			income	250 000	
9772/4462/0000	Blaauwskop Development			income	300 000	0
9772/4469/0000	Hillock Development		N	income	300 000	
9772/4470/0000	Lutzburg: Purchase of Land(Cemetery)		N	income	350 000	
no vote yet	Development of Erven: Kakamas	property, planning	N	income		
9772/4467/0000	Development of Erven: Keimoes(EIA _Bulk sewer)		N	income	250 000	
9772/4464/0000	Bloukamp Development			income	317 000	
9772/4465/0000	Development of Erven(EIA _Bulk water): Kakamas		N	income	250 000	0
9772/4468/0000	Development of Erven: Keimoes(EIA _Bulk water)		N	income	250 000	0
9777/4021/0000	Office Furniture and Equipment	property, planning	R	income	30 000	
9777/4122/0000	Computer Equipment	property, planning	R	income	30 000	
9765/4024/0000	Vehicles	Technical services	R	income	350 000	
9771/4473/0000	Connection of Internal Sewer System: Keimoes	Technical services	R	income	250 000	
9771/4475/0000	Connection of Internal Sewer System: Kakamas	Technical services	R	income	125 000	
9771/4477/0000	Upgrading of Internal Sewer System: Kenhardt	Technical services	R	income	300 000	
9771/4621/0000	Plant and Equipment (Sewerage Pump)	Technical services	N	income	500 000	1 610
9769/5300/0000	Installation: Prepaid Water Meters	Technical services	N	income	100 000	
9772/4463/0000	Blaauwskop Development(Bulk Water)			income	300 000	
no vote yet	Installation: Bulk Flow Water Meters (Magflow)	Technical services	N	income	400 000	
9769/4021/0000	Office Furniture and Equipment	Technical services	R	income	30 000	1 000
9769/4122/0000	Computer Equipment	Technical services	R	income	30 000	
9805/5060/0000	Capital PMU	PMU	R	mig	410 000	427 237
9813/5181/0000	271 Sub-Ekon Huise;	property, planning & development		mig	-	
9805/A365/0000	IMPL RESULTS OF FS SOLID WAS	Technical services		mig	0	0
9805/5054/0000	ACCESS ROAD: ALHEIT;	Technical services		mig	0	402 209
9805/5070/0000	Lennertsville: Access & Collector Roads	Technical services	N	mig	5 838 255	6 730 306
no vote yet	Riemvasmaak Mission: Tarring of streets	Technical services	N	mig		
no vote yet	Lutzburg: Access & Collector Roads	Technical services	N	mig		

Vote Number	Description	Department	New Asset / Renewal Assets	Funding	Budget Year 2013/14	Adjustment Budget 2013/14
no vote yet	New Cemetery: Alheit	Technical services	N	mig		
no vote yet	New Cemetery: Augrabies	Technical services	N	mig		
no vote yet	New Cemetery: Cillie	Technical services	N	mig		
no vote yet	New Cemetery: Lennertsville	Technical services	N	mig		
9805/5047/0000	Kai !Garib Municipal Area: Feasibility Study Solid Waste	Technical services	N	mig	636 036	
no vote yet	Upgrading of Internal & External Sewer System: L\ville	Technical services	R	mig		
no vote yet	Upgrading of Internal & External Sewer System: Alheit	Technical services	R	mig		
no vote yet	Upgrading of Internal & External Sewer System: Augrab	Technical services	R	mig		
9805/5079/0000	Keimoes: Upgrading Internal Roads & Stormwater	Technical services	N	mig	550 000	1 500 000
9805/5041/0000	KAKAMAS BULKWATER;	Technical services		mig	0	
9805/5066/0000	Upgrading Bulk Water: Marchand	Technical services	R	mig	2 057 400	0
9805/5067/0000	Upgrading Bulk Water: Warmsand	Technical services	R	mig	2 320 345	2 500 000
9805/5068/0000	Upgrading Bulk Water: Alheit	Technical services	R	mig	4 288 700	2 700 000
9805/5077/0000	Upgrading Internal Water network: Lennertsville	Technical services	R	mig	3 440 764	2 503 795
9805/A361/0000	AUGRABIES: UPGRADINGS BULK W	Technical services		mig	0	132 067
9805/A362/0000	CILLIE: UPGRADING BULK WATER	Technical services		mig	0	31 741
9805/A362/0000	LUTZBURG: UPGRADING BULK WATER	Technical services		mig		34 490
9805/0000/0000	Highmast lights : Augrabies area	Technical services		mig		599 299
9805/0000/0000	Highmast lights : Blocuso	Technical services		mig		390 356
no vote yet	Upgrading Bulk Water: Blaauwsekop	Technical services	R	mig		
no vote yet	Upgrading Bulk Water: 7de Laan	Technical services	R	mig		
no vote yet	Upgrading Bulk Water: Eenduin	Technical services	R	mig		
no vote yet	Upgrading Internal Water network: Augrabies	Technical services	mig	mig		2 000 000
9763/4621/0000	TOOLS AND EQUIPMENT;	Caravan Parks & chalets			0	1 800
9701/4001/0000	-Furniture and Fittings;	municipal manager			0	16 000
9775/5441/0000	DEVELOPMENT OF STANDS: ALL T	Technical services			0	0
9757/4561/0000	FURNITURE AND EQUIPMENT;	Workshop			0	5 500
9757/4611/0000	FURNITURE AND FITTINGS;	Workshop			0	1 400
					35 653 500	21 161 115
				mig	19 541 500	19 951 500
				income	9 112 000	884 915
				hp	7 000 000	300 000
				TOTAL	35 653 500	21 136 415

Section 6 - Operating Income and Expenditure Item List

List attached

Section 7 – Municipal Manager’s quality certification

I, _____, Municipal Manager of KAI !GARIB Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Municipal Manager of KAI !GARIB Municipality (NC082)

Signature

Date